

Stakeholders Meeting on Taxes and Tariffs on Yarn for Insecticides Treated Nets (ITNs)

USAID-NETMARK AFRICA REGIONAL MALARIA PROGRAM



27 February 2007

Kenyatta Conference Centre, Nairobi Kenya

Background

The meeting was called by the Ministry of Health through the division of malaria control, National Malaria Control Program. The meeting was a follow up on advocacy activities planned during the second regional consultative and training meeting held in Nairobi in August 2006. While Kenya removed taxes and tariffs (T&T) on ITNs, insecticides and related materials, in 2005; VAT and import duty on yarn and over the counter products for mosquito control (coils, clips, mats, repellents etc.) was not removed. It is a stated aim of the Government of Kenya to increase availability of ITNs by encouraging local production of the commodities. Kenya currently has a about xx small scale producers of nets and netting material. Their efforts to expand are curtailed by the high levies on raw materials required to produce nets especially yarn.

This one day advocacy/consultative meeting was called to bring together the Ministries of Finance and Health; manufacturers, and interested organizations to discuss modalities of lobbying the government to either totally remove T&T on yarn or improve modalities of refunding VAT rebates to manufacturers timeously. This would allow manufacturers to produce ITNs that will then be sold at competitive prices.

Stakeholders/partners that attended the meeting include the Ministry of Health (MoH), Vestergaard Frandsen, Mossnet, Equator Apparels and Population Services International (PSI). The representative of the Ministry of Finance/ Kenya Revenue Authority could not make the meeting at the last meeting due to other pressing engagements.

Objectives of the meeting

The objectives of the meeting were to:

- Discuss the status of taxes and tariffs for netting, yarn and other raw materials required in net manufacturing and analyze opportunities and constraints to addressing them.
- Discuss alternative modalities to be proposed to government to ease the difficulties faced by manufacturers.

There were no formal presentations. This was a brain storming session where manufacturers informed participants about how difficult it was to bring in yarn into the country. The current situation entails that every polyester netting fabric or yarn importer pays full import duty of 10%, 16% VAT and 2.75% of total value of product on the import declaration form (IDF). The manufacturer then submits a VAT claim to the revenue authority. The Kenya revenue authority then verifies that the netting material/yarn was used to produce nets and the VAT is refunded. The meeting was informed that the big problem is that the refunds take between 8-12 months to be processed, tying down resources that could have been ploughed back to into the manufacturing process. Since the returns are made on the 20th day of every month on average a manufacturer could have upwards of \$15-20,000 held by the revenue authority. For the size of companies involved, this is indeed a huge setback.

The manufacturers further informed the meeting that due to the high manufacturing costs, locally produced nets are expensive and cannot compete fairly with imports from regions

that have no T&T and thus low manufacturing costs. On its part, the government explained that it has to charge T&T on yarn because from experience the bulk of all polyester and other polyamide yarns imported into the country are used to produce other products/textiles with a small fraction going into net manufacturing. Further, the government is obliged to support its policy of encouraging local production and use of cotton.

Outcomes of the meeting

The meeting concluded that the current arrangement of reclaiming VAT is cumbersome and punitive and that some better arrangement should be found where verification processes can be speeded which will in turn ensure rebates are paid back to manufacturers timeously. It was agreed that the long planned rapid study on the implication of implementing a complete T&T on antimalarial commodities and related products on the economy be carried out without delay. The study would also look at the VAT remittance and reclaiming process and provide recommendations on how to streamlining the process in the event the government opts not to consider total removal of the levies.

A proposal writing template prepared by NetMark has been provided to the NMCP and direct technical assistance will be provided by NetMark for the proposal writing as requested. NetMark will also provide financial assistance to have a consultant recruited to carry out the study.

There being no other business the meeting was closed at 15.00 hrs.

TAX AND TARRIFF REMOVAL STAKEHOLDER MEETING PROGRAMME
(27TH FEB. 2007) AT KICC, NAIROBI

PERIOD	ACTIVITY	MODERATOR	ORGANIZATION
9.30-9.45am	Introduction	Dr Manya	DoMC
9.45-10.00am	Objectives Of The Meeting	Dr W. Akhwale Dr. H Mwenesi	DoMC NetMark /ECSA
10-10.30am	Current Tax and Tariff Removal Status	Mr. Maina MoF	Planning (MoH) MoF (KRA)
1030-11am	Tea break		
11-30am	Tax and Tariffs removal implication	MoF	MoF/Plenary
11.30-12.30	Way forward <ul style="list-style-type: none"> • Study on implications of removal of taxes and tariff on yarn 	Dr Manya/Dr Mwenesi	DoMC
12.30-1pm	Closing	Dr W Akhwale	DoMC
1-2pm	Lunch/people leave at own pleasure		

Participants/Contact Details

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